

ORIGINAL NEW APPLICATION



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AZ CORP COMMISSION
DOCKET CONTROL

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

11 SUSAN BITTER SMITH, Chairman
12 BOB STUMP
13 BOB BURNS
14 DOUG LITTLE
15 TOM FORESE

Arizona Corporation Commission
DOCKETED

APR 08 2015

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14 IN THE MATTER OF THE APPLICATION
15 OF ARIZONA PUBLIC SERVICE
16 COMPANY FOR APPROVAL OF
17 ELECTRIC SERVICE CONTRACTS WITH
18 eBay, INC.

DOCKET NO. E-01345A-15-0117

**REQUEST TO APPROVE
EXPERIMENTAL HIGH LOAD
FACTOR PRICING STRUCTURE
CONTRACT**

19 On March 20, 2015, Arizona Public Service Company ("APS" or "Company")
20 entered into an Electric Service Agreement ("ESA") with eBay, Inc ("eBay"). Because
21 the executed ESA contains Competitively Confidential Information, the copy of the ESA
22 attached hereto as Exhibit A is a redacted copy. An un-redacted version of the ESA will
23 be provided to Arizona Corporation Commission ("ACC" or "Commission") Staff for
24 their confidential review pursuant to an executed Protective Agreement.

25 eBay is a technology company that facilitates commerce and payments for
26 customers, merchants and retailers in the United States, as well as internationally. eBay
27 operates an e-commerce platform, eBay.com and vertical shopping websites, such as
28 StubHub. eBay also operates PayPal, which enables individuals and businesses to send

1 and receive payments online and through a range of mobile devices. eBay commenced
2 operations of its Phoenix data center in 2005, and operates data centers in other
3 geographic locations throughout the United States.

4 Given eBay's need for high reliability and power quality, the cost of electricity is
5 a material component of eBay's cost to operate its business. The price for electricity
6 that eBay pays will drive whether or not it will continue to stay, and even grow, in
7 APS's service territory for the benefit of Arizona and the remainder of APS's customers.

8 Further, eBay is a very high load factor customer (above 90%), which makes it all
9 the more important that APS retain the load. Such customers provide operational and
10 other economic benefits to the Company's distribution system, as described below. This
11 elevates the desirability to APS and its customers of retaining and expanding that load.

12 Very high load factor customers help reduce the overall cost for APS to serve its
13 customers because they help flatten the overall system load profile, which, in turn,
14 allows APS to operate its generation fleet in a more optimal manner. This ESA employs
15 an experimental high load factor pricing structure that better aligns the price that eBay
16 will pay to the cost that APS incurs to serve them.


17 APS believes this ESA is appropriate and necessary to both retain eBay's present
18 load and to encourage eBay to continue to grow in APS's service territory. eBay has
19 data centers in other jurisdictions and can choose to site their business at any location
20 that has the appropriate infrastructure, chiefly power and fiber. If eBay were to move its
21 operations to a location outside of APS service territory, a substantial amount of revenue
22 requirement responsibility would be shifted to other APS customers.

23 The eBay ESA includes terms beyond pure price. For example, it recognizes
24 eBay's interest in a greater renewable resource commitment through provisions that
25 allow eBay to purchase additional amounts of renewable energy to enhance the overall
26 resource profile that it receives from APS. This approach encourages a greater use of
27 renewable energy on the APS system without increasing the cost to other APS
28 customers.

1 APS believes the eBay ESA is justifiable as an important means of economic
2 development, consistent with the provisions the Commission approved in Decision No.
3 73183 that authorized APS to pursue economic development opportunities through the
4 use of Commission-approved contracts. (See Decision No. 73183 at Exhibit A,
5 Paragraph 17.4.) The ESA is also permitted under A.A.C. R14-2-1606 (C)(6) in that the
6 ESA is for load retention and does not prevent eBay from accessing a competitive retail
7 market if such market should develop in Arizona during the term of the ESA. APS
8 further believes that the experimental rate contained in this ESA may provide valuable
9 insight into the development of a more permanent high load factor rate to be developed
10 by APS, which rate would help attract additional high load factor customers to Arizona,
11 for the benefit of all ratepayers.

12 APS requests the Commission approve the ESA. APS further requests that, upon
13 approval, the price terms of such ESA is deemed effective as of the date of this
14 Application.

15 RESPECTFULLY SUBMITTED this 8th day of April 2015.

16
17 By: 
18 Thomas L. Munnaw
19 Thomas A. Loquvam

20 Attorneys for Arizona Public Service Company

21 ORIGINAL and thirteen (13) copies
22 of the foregoing filed this 8th day of
23 April 2015, with:

24 Docket Control
25 ARIZONA CORPORATION COMMISSION
26 1200 West Washington Street
27 Phoenix, Arizona 85007

28 Copies of the foregoing delivered/mailed this
8th day of April 2015, to:

1 Janice Alward
2 Legal Division
3 Arizona Corporation Commission
4 1200 West Washington
5 Phoenix, Arizona 85007

6 Steve Olea
7 Utilities Division
8 Arizona Corporation Commission
9 1200 West Washington
10 Phoenix, Arizona 85007

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APS – eBay ELECTRIC SUPPLY AGREEMENT

The parties to this EXPERIMENTAL HIGH LOAD FACTOR PRICING STRUCTURE Electric Supply Agreement ("ESA" or "Agreement") are ARIZONA PUBLIC SERVICE COMPANY, an Arizona corporation, hereinafter called "APS," and eBay, Inc., herein after called "eBay." APS and eBay are also referred to collectively as the "Parties." In consideration of the services to be performed by APS, the parties agree as follows:

1. PURCHASE AND SALE OF POWER

APS has determined that the eBay facility listed herein should be offered an APS Experimental High Load Factor Pricing Structure, attached hereto. APS shall supply, and eBay shall take, subject to the load modifications discussed in Section 16.1 and the terms of this ESA, all electric service required for operation of eBay's PHX01, PHX02 and PHX04 data center campus, located at 4010 N. 3rd Street, Phoenix, Arizona, 85012.

Electric service supplied under this Agreement shall be in the form of three-phase alternating current at approximately 60 hertz and approximately 12,470 volts.

2. APPLICABLE RATE AND ADJUSTMENTS

Service under this Agreement shall be billed according to the attached EXPERIMENTAL HIGH LOAD FACTOR PRICING STRUCTURE HLF-2 ("HLF-2"). [REDACTED]

3. MAXIMUM DEMAND

Maximum demand shall be [REDACTED]

4.

5. POINTS OF DELIVERY

The points of delivery are the precise locations where APS's service wires connect to the following eBay equipment:

6. METERING OF SERVICE

Measurement for all electric service supplied under this Agreement will [REDACTED]

[REDACTED] Customer's load [REDACTED] shall not exceed the physical limitations set forth in Section 5 ("Points of Delivery") of this Agreement.

7. APPLICABLE SCHEDULES

Electric service will be supplied in accordance with HLF-2 and all generally applicable service schedules now in effect or as amended from time to time. Changes made to either HLF-2 or a service schedule shall automatically amend, and apply to, this Agreement to the same extent as though they had been



APS – eBay ELECTRIC SUPPLY AGREEMENT

originally incorporated as a part of this Agreement. HLF-2 is attached to and made a part of this Agreement.

8. [REDACTED]

8.1. [REDACTED]

8.2. [REDACTED]

8.3. [REDACTED]

8.4. [REDACTED]

8.5. [REDACTED]

8.6. [REDACTED]

8.7. [REDACTED]



APS – eBay ELECTRIC SUPPLY AGREEMENT

9. SERVICE CURTAILMENT

Electric service may be interrupted or curtailed in accordance with APS's Service Schedule 5 "GUIDELINES FOR ELECTRIC CURTAILMENT," as filed with the Arizona Corporation Commission, which is subject to change as provided by law.

10. EFFECTIVE DATE AND TERM OF AGREEMENT

The term of this Agreement will be [REDACTED]

11. REGULATORY APPROVALS

This Agreement is contingent on ACC approval. APS may terminate the Agreement if the ACC modifies the Agreement in a manner that is unacceptable to APS.

12. TERMINATION

13. DISPUTE RESOLUTION

If either party breaches the Agreement, the non-breaching party will provide written notice of the breach. The breaching party will have 15 days from the date of that notice to cure the breach. If the breach is not cured by the 15th day, the parties will attempt to resolve the breach through senior management negotiations. The senior management negotiations must conclude within 30 days of the initial written notice of breach. If the parties do not resolve the breach within this 30 day period, they may pursue any rights or remedies in law, equity or otherwise, but no act or omission taken pursuant to this Dispute Resolution provision shall be used as evidence of a breach or otherwise used against the allegedly breaching party in any subsequent legal action.

14. DEPOSITS

15. CONTRACT ADJUSTMENT OF MAXIMUM DEMAND

In some cases, it may be to eBay's benefit to raise the maximum demand level stated in Section 2. This will be permitted under the following conditions:

15.1. [REDACTED]

15.2. [REDACTED]

15.3. [REDACTED]

15.4. [REDACTED]

15.5. [REDACTED]



APS – eBay ELECTRIC SUPPLY AGREEMENT

16. GENERAL PROVISIONS

16.1.

[REDACTED]

16.2. If either party successfully brings suit to compel performance under or for breach of this Agreement, that party will be entitled to recover reasonable attorney's fees in addition to the amount of judgment and costs.

16.3. A waiver of any default of the other party or any other matter arising in connection with this Agreement, at any time by either party, may not be construed as a waiver of any subsequent default or matter.

16.4. THIS AGREEMENT, INCLUDING THE REFERENCED SCHEDULES, ANY OTHER REFERENCED OR ATTACHED DOCUMENTS, AND THE APPLICABLE RULES OF THE ARIZONA CORPORATION COMMISSION, STATES THE ENTIRE OBLIGATION OF APS IN CONNECTION WITH SUCH SALES AND DELIVERIES. THERE ARE NO UNDERSTANDINGS, AGREEMENTS, REPRESENTATIONS, OR WARRANTIES, EXPRESSED OR IMPLIED (INCLUDING WARRANTIES REGARDING MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE), NOT SPECIFIED IN THIS AGREEMENT, THE REFERENCED SCHEDULES, ANY OTHER REFERENCED OR ATTACHED DOCUMENTS, OR IN THE APPLICABLE RULES OF THE ARIZONA CORPORATION COMMISSION CONCERNING DELIVERY OF ELECTRICITY BY APS TO eBay.

16.5. The rates, terms and other contract provisions governing electric power sold to eBay are subject to the jurisdiction of the ACC, and nothing contained herein may be construed as affecting or limiting in any way the right of APS (a) to make unilateral filings of changed rates, terms and other contract provisions, which will be effective when filed, or within a specified number of days thereafter as specified therein (such rates or other contract provisions specified in such filing to be subject to modification if required by a final decision of the ACC); or (b) to unilaterally make application to the ACC for changes in such rates or other contract provisions, following a hearing and decision as permitted by law and the ACC's rules and regulations.

16.6. This Agreement will be interpreted in accordance with the substantive and procedural laws of the State of Arizona without regard to any conflicts of law provision contained therein.

16.7.

[REDACTED]

17. ATTACHMENTS

The following additional documents are attached to and made part of this Agreement:

APS's Experimental High Load Factor Pricing Structure – (HLF-2)

Exhibit A



APS – eBay ELECTRIC SUPPLY AGREEMENT

18. EXECUTION

This Agreement has been executed by the duly authorized representatives of the parties, as set forth below:

ARIZONA PUBLIC SERVICE COMPANY	eBay, Inc.
Signature <i>Leland R. Shook</i>	Signature <i>Deen Nelson</i>
Name Leland R. Shook	Name Deen Nelson
Title Director, Rates & Rate Strategy	Title VP, GPS
Date Signed 3/20/2015	Date Signed 3/19/2015
	Mailing Address
	Permanent Phone #
	Billing Address
The individual executing this Agreement on behalf of APS represents and warrants: (i) that he or she is authorized to do so on behalf of APS; (ii) that he or she has full legal power and authority to bind APS in accordance with the terms herein and, if necessary, has obtained all required consents or delegations of such power and authority.	The individual executing this Agreement on behalf of Customer represents and warrants: (i) that he or she is authorized to do so on behalf of the Customer; (ii) that he or she has full legal power and authority to bind the Customer in accordance with the terms herein and, if necessary, has obtained all required consents or delegations of such power and authority.

Approved as to form
eBay Legal
SVernex
March 5, 2015



EXPERIMENTAL HIGH LOAD FACTOR PRICING STRUCTURE HLF-2

LOAD FACTOR REQUIREMENTS

The customer must maintain a monthly load factor of [REDACTED], or more, for each participating service account, for at least 9 out of the last 12 months. The monthly load factor is established by the following formula:

$$\text{Monthly Load Factor} = \text{Billed kWh} / (\text{Billed kW} * \text{Billing Days} * 24 \text{ hours})$$

RATES

The monthly bill will be computed with the following unbundled charges plus adjustments. The bundled charges provide a summary of the unbundled charges for similar charge types (e.g. per day, per kW, per kWh). [REDACTED]

Bundled Charges (Summary of Unbundled Charges)

Basic Service Charge	[REDACTED]	[REDACTED]
Demand Charge	[REDACTED]	[REDACTED]
Energy Charge	[REDACTED]	[REDACTED]

Unbundled Charges (Included in Bundled Charges)

Basic Service Charges (Revenue Cycle Services):

Customer Accounts	[REDACTED]	[REDACTED]
Metering (Primary)	[REDACTED]	[REDACTED]
Meter Reading	[REDACTED]	[REDACTED]
Billing	[REDACTED]	[REDACTED]
Subtotal	[REDACTED]	[REDACTED]

Demand Charges:

Transmission	[REDACTED]	[REDACTED]
Delivery (Primary Service)	[REDACTED]	[REDACTED]
Generation – Capacity	[REDACTED]	[REDACTED]
Subtotal	[REDACTED]	[REDACTED]

Energy Charges:

Generation – Fuel	[REDACTED]	[REDACTED]
System Benefits	[REDACTED]	[REDACTED]
Subtotal	[REDACTED]	[REDACTED]



**EXPERIMENTAL HIGH LOAD FACTOR
PRICING STRUCTURE HLF-2**

Notes:

- a) The metering charges apply to typical installations. Customers requiring specialized equipment may incur additional metering charges that reflect the additional cost.
- b) Additional charges for some program options may be specified in a service agreement.
- c) "Direct Access" customers buy generation, transmission, and revenue cycle services from a third party supplier. Their APS bill will include the Delivery charge, the System Benefits charge and applicable Adjustments. If a revenue cycle service is not available from a third party supplier, it will be supplied by APS at the applicable rate.

ADJUSTMENTS

The bill will include the following adjustments:

- 1. The Renewable Energy Standard charge, Adjustment Schedule REAC-1 (see Arizona Corporation Commission Decision No. 70313).
- 2. The Power Supply Adjustment charges, Adjustment Schedule PSA-1 (see Arizona Corporation Commission Decision Nos. 67744, 69663, 71448 and 73183).
- 3. The Transmission Cost Adjustment charge, Adjustment Schedule TCA-1 (see Arizona Corporation Commission Decision No. 67744).
- 4. The Environmental Improvement Surcharge, Adjustment Schedule EIS (see Arizona Corporation Commission Decision No. 73183).
- 5. Direct Access customers returning to Standard Offer service may be subject to a Returning Customer Direct Access Charge, Adjustment Schedule RCDAC-1 (see Arizona Corporation Commission Decision No. 67744).
- 6. The Demand Side Management Adjustment charge, Adjustment Schedule DSMAC-1, (see Arizona Corporation Commission Decision Nos. 67744 and 71448).
- 7. The Four Corners Adjustment, Adjustment Schedule FCA, (see Arizona Corporation Commission Decision Nos. 74876 and 74948).
- 8. The applicable taxes and governmental fees which are assessed on APS's revenues, prices, sales volume, generation volume, or other business metrics.

BILLING KW

The kW used for billing will be the greater of



**EXPERIMENTAL HIGH LOAD FACTOR
PRICING STRUCTURE HLF-2**

1. The average kW supplied during the 15-minute period of maximum use during the month. A time period other than 15 minutes can be specified in a service agreement.
2. The minimum kW specified in a service agreement.

TYPE OF SERVICE

This schedule is not applicable to breakdown, standby, supplemental, residential or resale service.

The electrical service provided under this schedule will be three-phase, 60 Hertz, at APS's standard voltages that are available within the vicinity of the customer site.

POWER FACTOR

Requirements

1. The customer's load must not deviate from phase balance by more than 10%.
2. Customers receiving service at voltage levels below 69 kV must maintain a power factor of 90% lagging. And the power factor cannot be leading unless APS agrees.
3. Customers receiving service at voltage levels of 69 kV or above must maintain a power factor of $\pm 95\%$.

[REDACTED]

[REDACTED]

CONTRACT PERIOD

The contract period is that specified in a service agreement.

TERMS AND CONDITIONS

Except as otherwise provided for in the relevant service agreement, the electric service will be supplied in accordance with this pricing structure, and except as otherwise provided herein, in accordance with all other generally applicable service schedules now in effect and as amended from time to time. A copy of this pricing structure shall be attached to and made a part of any service agreement to which it applies.